

Why You Shouldn't Use Spreadsheets for Lease Accounting

Video Transcript

Kat Jenkins:

Hi, and welcome to Barnes Dennig Ask the Experts. I'm Marketing Director, Kat Jenkins. And today we're talking about the new lease accounting standard, some key things you need to know, and some tools to help you implement it more effectively and efficiently. Joining us today are Bryan Gayhart from Barnes Dennig and Jess Vento from LeaseCrunch software. Bryan and Jess, thanks for being with us.

Bryan Gayhart:

Thanks so much. Thanks for kicking this off for us. I think we have a great discussion today. I know we have a very popular topic in terms of lease accounting software and then doing it in a spreadsheet. I get a lot of questions about that and I know this will be a great, great video, and a lot of people will really enjoy what we have to say today. Jess, let's start with a little background, if you'll give us kind of that elevator pitch, a little bit about LeaseCrunch and what LeaseCrunch has to offer.

Jess Vento:

Sure. At LeaseCrunch we believe we're the easiest to use lease accounting software on the market. We were built specifically for CPA firms and their clients. Literally it takes three minutes to get a lease into the system and then it gets you all of the journal entries, amortization schedule, and footnotes that you'll need. We're really excited to be doing the Ask the Experts with you here, Bryan.

Bryan Gayhart:

Awesome. Thank you. So let's jump right in. Talk a little bit about LeaseCrunch in terms of the software. I know we get a lot of people there saying, "Well, I'll just do it in a spreadsheet. I'll figure it out. I'll make it work in the spreadsheet."

Bryan Gayhart:

If you can maybe share a little bit about the software in terms of efficiencies people can gain, maybe time savings, cost savings, things of that sort.

Jess Vento:

Absolutely. So one of the things that is really easy, like I had mentioned, is that it takes about three minutes to enter a lease into LeaseCrunch. We hear from a lot of people like, "Oh, it's easy to calculate my lease liability and my REU asset. And that might be easy, but don't forget that the footnote disclosure is much different with the new lease standard and really important to get right. And what LeaseCrunch will export for you is that footnote disclosure, it will include all of your lease expenses, those REU assets obtained in exchange for release liabilities, and the weighted averages. And then remember that everything has to be separated by operating and finance leases. That could be a heavy lift. Once you get your leases in you still have to calculate the that footnote disclosure and that could be really difficult.

Bryan Gayhart:

Yeah. I think that's a great point. You know, one of the biggest things we see, people that want to use the spreadsheets, right? So it's the volume of data that goes into the spreadsheet and then you think about the opportunity for error, right? You get one formula wrong and then you're dragging it across and down and all of a sudden you potentially have a material misstatement and you're not able to catch it. And then it looks worse when the audit starts and then the auditors catch it. So all of a sudden you have this potential adjustment looming out there and so that's one of the things that I try to get across to my clients is, use the software that's out there. It's kind of ease of mind that you're focused on the inputs and then let the software do the calculation.

Jess Vento:

Absolutely. Let the software do the heavy lifting. Here at LeaseCrunch we do a lot of these types of things and CPE and webinars. We know that pulling together your lease portfolio might be hard work so let's choose a software that makes it easy and I think LeaseCrunch really does that.

Bryan Gayhart:

Yeah. I think, in our client base, we have a lot of clients that still have a large volume of one type of lease, like a vehicle or a forklift. And so I like that bulk import feature. Where you can kind take that spreadsheet, populate it, and then put it back in the system. And then like you said, let the system do the calculating. For us, I think that's where the time savings for our client will come in and potentially the cost in terms of the auditors looking at it. If you're using the software, we're more focused on the inputs because we know the software is going to produce the right output. We're looking at the inputs as well. And there's just a lot more opportunity for risk I think in that spreadsheet that's out there.

Jess Vento:

I think so too, and bulk import is really an easy way of getting leases into the system. We recommend using it. If you do have that large lease portfolio lots of times clients with a large portfolio already have



that information in some sort of spreadsheet. So it's really easy to pull that into bulk import in order to make it kind of just magically appear in LeaseCrunch.

Bryan Gayhart:

Right. And you talk about the number of leases. Is there a sweet spot for which lease software really makes sense? Like I understand if you're a small entity and you may just lease a building, spreadsheet makes sense. But at what point do you start getting that return on your investment for using the lease software?

Jess Vento:

Here at LeaseCrunch, we see users with just one or two leases using LeaseCrunch and users with thousands of leases. We are really scalable in that little, few, small lease portfolio and then large lease portfolio. So I think there's really no break even. We try to price ourselves in a space where everybody can use it even if you do have just one lease. Remembering that you might have one lease now but maybe you'll have more in the future. And even if you just have one lease, if that lease ever changes, those lease calculations need to be frozen which becomes difficult again to do in a spreadsheet.

Bryan Gayhart:

Yeah. I think you're spot on with that. Those lease modifications get real tricky and then the software can really help with that. I think the other thing the software does nicely is the built-in tools and wizards in terms of the lease term and in the least type. It's a lot easier to just kind of answer a few questions, let the software determine it, let the software do the calculation.

Jess Vento:

Yeah.

Bryan Gayhart:

And then you kind of get your answer versus in a spreadsheet, you're going to have to kind of make that decision on the fly and you may not even have it documented well.

Jess Vento:

Right, and I think documentation is what becomes really important as well. LeaseCrunch has tools available, we have policy election tools available, the wizards are available as well. We really are seeing lots of users use those wizards. It's something that is part of our system. There's no extra of fees for those wizards, it's all just part of the software, which is again, what makes it easy.



Bryan Gayhart:

Yeah. We looked at a number of lease accounting solutions and ultimately chose to partner with you guys at LeaseCrunch because what we found was a scalable solution, a price efficient solution, and at the end of the day it's lease accounting at the core. There are a lot of other solutions out there that were lease management first. And then they said, "Oh, we'll figure out the lease accounting. Yeah, we can do it." But then you end up with all sorts of bells and whistles and things you may not need when at the end of the day, you're just trying to get the debits and credits and the footnotes for what you need. We were really happy to partner with LeaseCrunch and I think you've built, like you said, an easy solution, three minutes to put a lease in, there's not a lot of training involved and at the end of the day you can let the solution kind of calculate the numbers and give you the output.

Jess Vento:

Yeah, I totally agree. Coming out of real estate into LeaseCrunch and into lease accounting software, I had a ton of background in those kinds of solutions. I worked in a place where we used lease management systems and I don't think you need lease management for this standard. You need lease accounting which is really much different. And again, hopefully it's easy for everyone. And like you said, Bryan, limited amount of training needed. The system really walks you through how to do what you need to do in this system. We do have some enhancements coming. We get a lot of requests about what the future looks like. We do have enhancements coming to the system that I think will make it even easier for everyone.

Bryan Gayhart:

Are you able to share any of those enhancements for us now?

Jess Vento:

Well, I can. One of the enhancements coming in the next six months or so is going to be notifications. One of the things we've heard from a lot of groups, organizations, CPA firms, and users is, "Hey, I'd really like to know when this lease is going to expire." Which does make it a little bit more like lease management but I totally understand and think it's important that our users will know when their lease is expired, that they don't have to make a separate system for things like that. Another enhancement that we have coming soon is some reporting entity controls. Certain users can have access to certain reporting entities, which is, again, something we're hearing from those clients that maybe do have a hundred leases. We want this particular group of users to have access to only a certain group of leases. That's coming soon as well.

Bryan Gayhart:



Very good. Jess, anything else you'd like to share in terms of lease accounting and considering spreadsheet versus the software?

Jess Vento:

You know, I came from the accounting world and I love a good spreadsheet when it makes sense. We've all dealt with the scenario where I've got a great spreadsheet and then someone else uses it and messes up the version control or the formulas get messed up. That really becomes difficult and stressful. So I think if I could say anything about LeaseCrunch it is that the system will ease the stress of implementing the standard and really we're here to make it easy.

Bryan Gayhart:

It'll ease their stress during audit time. I know of using software for lease accounting. Well, excellent, Jess, thank you so much for your time today. And we certainly appreciate you joining our Ask the Expert series on lease accounting.

Jess Vento:

Thanks for having me.

Kat Jenkins:

Great information Bryan and Jess. Thank you so for joining us. LeaseCrunch sounds like an amazing tool and we know that implementing the lease accounting standard is a lot more complicated than many companies may expect when they get into it. So if you have a question about lease accounting or LeaseCrunch, or if you'd like to set up a free consultation, visit us at barnesdennig.com. We'll see you next time on ask the Experts.